

Outside Director Interview: Selection Process for the New Group CEO



Sumitomo Mitsui Financial Group
Director
Chairman of the Nomination Committee
Yoshinobu Tsutsui

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FY2019 marked the first time our Group CEO changed since Sumitomo Mitsui Financial Group transferred to a Company with Three Committees. Could you please describe the selection process that was taken?

I was appointed as an outside director of Sumitomo Mitsui Financial Group in 2017, the same year in which the company transferred to a Company with Three Committees. In terms of internal committees, I am a member of the Compensation Committee and I am the Chairman of the Nomination Committee. The Nomination Committee has been constructed in a manner which stresses objectivity and transparency, with five of its six members being outside directors. Of course, the quality of discussions takes precedence over the committee's format. Repeated discussions took place at the Nomination Committee meetings for more than one year regarding the selection of the new Group CEO, and I am confident that the deliberations were conducted in an objective and transparent manner.

The Nomination Committee established a number of specific points which needed to be considered when selecting the new Group CEO after carefully studying the business environment and business operations of SMBC Group and the qualities we believed the Group's leader needed to possess. For example, in order to realize SMBC Group's medium- to long- term vision of becoming a global financial group, we believe that the successful candidate would need to possess a broad global-based perspective, deep insights, and a creative imagination. As such, these qualities were included in the selection criteria. The selection criteria were by no means limited to abilities and skills, they also included character and behavioral traits, for example the tenacity and persistence to assemble timely decisions and to implement those decisions, the ability to form and deploy outstanding teams, leadership and optimism which demonstrate courage, and grit/tolerance. Based on such qualities, the Nomination Committee came to its final decision in December 2018 following a deliberate selection process, which included candidate interviews.

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Could you please share with us some points to which you paid particular attention during the Nomination Committee's selection process?

I did not focus on any single point during the selection process. The reason being that the criteria required of the individual selected to lead SMBC Group are multi-faceted and diverse. My focus was on whether the candidates satisfied all of the required criteria to a very high standard, and I believe that the other members of the Nomination Committee shared this mindset, which allowed us to engage in deliberations based on a common understanding.

The purpose of involving outside directors in this type of process is to ensure the presence of opinions that are based on impartiality, fairness, and neutrality. I believe this is precisely what shareholders and other stakeholders expect. As such, I paid very careful attention to ensure that such values were reflected in the discussions I guided as the Chairman of the Nomination Committee. Mr. Ohta was selected as the new Group CEO, and I have no doubt whatsoever that SMBC Group's stakeholders understand why Mr. Ohta was selected once they refer to the required abilities and skills, experience, and character and behavioral traits that I mentioned earlier.

If we take the aforementioned "possess a broad global-based perspective, deep insights, and a creative imagination" as an example, Mr. Ohta has been a leader in SMBC's project finance business since its infancy more than 20 years ago. Project finance has grown into a business in which SMBC Group is a top-tier global player. Mr. Ohta also has abundant experience conducting business on the global stage, including from his experience residing in Singapore. In addition, Mr. Ohta accumulated considerable experience and knowledge concerning digital technology, which is rapidly growing in importance in the financial sector, during his tenure as CDIO where he was responsible for a number of SMBC Group's new business strategies, for example cashless payments.

Having said this, if I was asked what quality I consider to be most important to a business leader, and I was to disregard my role as Chairman of the Nomination Committee, I would reply: "leadership." While similar words exist, for example captaincy, they give the image of individuals forcibly imposing their will on others. The leadership I refer to is the ability to attract people and instill a strong sense of loyalty in them. An individual making the most of his character and insights, in other words his personal capabilities, to guide SMBC Group. This is the leadership which I am referring to.

With the goal of ensuring impartiality, fairness, and neutrality the Nomination Committee engaged in deliberations focusing on the qualities I discussed earlier, but I want to stress the fact that Mr. Ohta certainly possesses, in ample amounts, the type of leadership which I just shared with you.

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SMBC Group has stated that becoming a global financial group is its medium- to long-term vision. What do you think is the most important factor to realizing this vision?

I believe the most important factor is to strengthen SMBC Group's corporate governance on a global basis. While it is also necessary to devote resources to create the framework itself, as SMBC Group has been making steady progress in this regard I believe that the focus should now be on further enhancing the framework's effectiveness.

In order for this to happen, SMBC Group employees must address and resolve existing differences in perception by communicating with each other, and this needs to be done on a global basis. People will always have different perceptions. For example, employees will feel different levels of urgency regarding a particular risk. If we look at SMBC Group, differences in perception exist between Group companies, business units, administrative departments and front office departments, domestic and overseas offices, even between customers and markets. Creating a system which can promptly detect and resolve such differences will increase the effectiveness of SMBC Group's corporate governance framework. The key to achieving this is to develop personnel who are highly sensitive to such differences. I believe that developing as many such personnel as possible is a critical part of enhancing SMBC Group's global corporate governance capabilities.

I was President of the Nippon Life Insurance Company for seven years starting in 2011. During this time I failed to sense a critical difference in the perception of the company's employees which led to the deterioration of a particular issue. As such, I have consistently focused on the effectiveness of SMBC Group's corporate governance in my role as an outside director. I will continue to devote my utmost efforts to support the realization of SMBC Group's Medium-Term Management Plan and the sustained improvement of SMBC Group's corporate value by proactively voicing my views, which reflect my experiences as a business leader, at Board of Director, Nomination Committee, and Compensation Committee meetings.